

Sixty-seventh
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1380

Introduced by

Representatives Lefor, Bosch, Dockter, Headland, Howe, Nathe, Porter, M. Ruby, Steiner
Senators Patten, Sorvaag, Wardner

1 A BILL for an Act to create and enact a new section to chapter 6-09, a new section to chapter
2 6-09.4, a new section to chapter 15-20.1, ~~a four~~ new ~~section~~sections to chapter 21-10, and a
3 new section to chapter ~~57-38~~54-60 of the North Dakota Century Code, relating to an economic
4 diversification research fund, a legacy sinking and interest fund, a workforce development and
5 enrichment fund, a legacy earnings fund, a legacy infrastructure fund, a legacy project fund, a
6 legacy project advisory board, and an ~~income tax relief~~innovative research and economic
7 development fund; to amend and reenact subsection 1 of section 21-10-06 and section
8 21-10-12 of the North Dakota Century Code, relating to funds invested by the state investment
9 board and legacy fund definitions; to provide for a transfer; ~~and~~ to provide a statement of
10 legislative intent; and to provide an effective date.

11 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

12 **SECTION 1.** A new section to chapter 6-09 of the North Dakota Century Code is created
13 and enacted as follows:

14 **Economic diversification research fund - Economic diversification research**
15 **committee - Legislative management report.**

16 1. There is created in the state treasury the economic diversification research fund. The
17 fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys
18 in the fund may be spent by the Bank of North Dakota pursuant to legislative
19 appropriations to provide grants to institutions under the control of the state board of
20 higher education for economic diversification research.

21 2. The economic diversification research committee consists of:

22 a. The president of the Bank of North Dakota, as chairman;

23 b. Four members with experience in research or venture capital appointed by the
24 president of the Bank of North Dakota;

1 c. The state commissioner of higher education, or a designee; and

2 d. The president of North Dakota state university and the president of the university
3 of North Dakota.

4 3. In consultation with representatives of North Dakota state university and the university
5 of North Dakota, the committee shall award grants to institutions under the control of
6 the state board of higher education. Up to ninety percent of the funding must be
7 awarded to North Dakota state university and the university of North Dakota with equal
8 amounts awarded to each institution. The remaining funding must be awarded to the
9 other institutions under the control of the state board of higher education, as
10 determined by the committee. The committee may not award more than fifty percent of
11 the available funding during the first year of the biennium. The Bank of North Dakota
12 shall distribute the grant funding as awarded by the committee.

13 4. The committee shall develop guidelines for the economic diversification research
14 grants. The purpose of the grants is to stimulate economic activity across the state
15 through innovation of new technology, concepts, and products; to promote job creation
16 and career and wage growth; to enhance health care outcomes; to address loss of
17 revenue and jobs in communities with economies that depend primarily on the fossil
18 fuel industry; and to provide experiential learning opportunities for students. Research
19 projects may be initiated by an institution under the control of the state board of higher
20 education or by the private sector. The guidelines must include consideration for
21 research projects with matching funds and provisions for grant oversight by an internal
22 advisory committee and an external advisory committee.

23 5. The committee shall develop reporting requirements for the institutions under the
24 control of the state board of higher education. The reporting requirements must
25 include criteria for assessing performance outcomes related to the grants. The
26 committee shall compile the reports and shall submit a comprehensive report annually
27 to the legislative management. The comprehensive report must include information on
28 how the research efforts by each institution align with the state's priorities, how the
29 institutions collaborate when appropriate, and how the outcomes of the research meet
30 established performance expectations.

1 **SECTION 2.** A new section to chapter 6-09.4 of the North Dakota Century Code is created
2 and enacted as follows:

3 **Legacy sinking and interest fund - Debt service requirements - Public finance**
4 **authority.**

5 There is created in the state treasury the legacy sinking and interest fund. The fund consists
6 of all moneys deposited in the fund under section 36 of this Act. Moneys in the fund may be
7 spent by the public finance authority pursuant to legislative appropriations to meet the debt
8 service requirements for evidences of indebtedness issued by the authority for transfer to the
9 Bank of North Dakota for allocations to infrastructure projects and programs and the clean
10 sustainable energy fund. Any moneys in the fund in excess of the amounts
11 necessary appropriated from the fund to meet the debt service requirements for a biennium;
12 may be appropriated by the legislative assembly for other purposes.

13 **SECTION 3.** A new section to chapter 15-20.1 of the North Dakota Century Code is created
14 and enacted as follows:

15 **Workforce development and enrichment fund.**

16 1. There is created in the state treasury the workforce development and enrichment fund.

17 The fund consists of all moneys deposited in the fund under section 6 of this Act.

18 Moneys in the fund may be spent pursuant to legislative appropriations to provide
19 grants to support:

20 a. Strategic workforce development;

21 b. Technical education;

22 c. Workforce diversification initiatives; and

23 d. Workforce guidance and support.

24 2. Grant funding may be awarded only for one-time projects and initiatives.

25 3. Grants awarded for capital projects must have a matching requirement.

26 4. Thirty percent of the moneys in the fund must be designated to support workforce
27 initiatives in cities located in oil-producing counties that receive five million dollars or
28 more of allocations per fiscal year under subsection 2 of section 57-51-15 with priority
29 given to cities that have:

30 a. The highest percent of mining, quarrying, and oil and gas extraction employment
31 relative to the total employment of all industries in the city;

1 b. The highest number of employees in the mining, quarrying, and oil and gas
2 extraction sector relative to the other cities located in oil-producing counties that
3 receive five million dollars or more of allocations per fiscal year under
4 subsection 2 of section 57-51-15; and

5 c. The highest total taxable sales and purchases relative to the total taxable sales
6 and purchases of all the cities located in oil-producing counties that receive five
7 million dollars or more of allocations per fiscal year under subsection 2 of section
8 57-51-15.

9 **SECTION 4. AMENDMENT.** Subsection 1 of section 21-10-06 of the North Dakota Century
10 Code is amended and reenacted as follows:

- 11 1. Subject to the provisions of section 21-10-02, the board shall invest the following
12 funds:
 - 13 a. State bonding fund.
 - 14 b. Teachers' fund for retirement.
 - 15 c. State fire and tornado fund.
 - 16 d. Workforce safety and insurance fund.
 - 17 e. Public employees retirement system.
 - 18 f. Insurance regulatory trust fund.
 - 19 g. State risk management fund.
 - 20 h. Budget stabilization fund.
 - 21 i. Health care trust fund.
 - 22 j. Cultural endowment fund.
 - 23 k. Petroleum tank release compensation fund.
 - 24 l. Legacy fund.
 - 25 m. Legacy earnings fund.
 - 26 n. A fund under contract with the board pursuant to subsection 3.

27 **SECTION 5. AMENDMENT.** Section 21-10-12 of the North Dakota Century Code is
28 amended and reenacted as follows:

29 **21-10-12. Legacy fund – ~~Earnings defined~~ definitions.**

30 For the purposes of section 26 of article X of the Constitution of North Dakota, ~~the term~~
31 "earnings":

1 1. "Earnings" means net income in accordance with generally accepted accounting
2 principles, excluding any unrealized gains or losses.

3 2. "Principal" means all moneys in the legacy fund not included in earnings as defined
4 under subsection 1.

5 **SECTION 6.** A new section to chapter 21-10 of the North Dakota Century Code is created
6 and enacted as follows:

7 **Legacy earnings fund - State treasurer - Transfers.**

8 1. There is created in the state treasury the legacy earnings fund. The fund consists of all
9 moneys transferred to the fund under subsection 2 and all interest and earnings upon
10 moneys in the fund.

11 2. Any legacy fund earnings transferred to the general fund at the end of each biennium
12 in accordance with section 26 of article X of the Constitution of North Dakota must be
13 immediately transferred by the state treasurer to the legacy earnings fund.

14 3. ~~If the amounts transferred under subsection 2 exceed the amount available for~~
15 ~~appropriation under subsection 4 the state treasurer shall transfer the excess, within~~
16 ~~thirty days, as follows:~~

17 ~~a. Forty percent to the strategic investment and improvements fund to be used in~~
18 ~~accordance with the provisions of section 15-08.1-08;~~

19 ~~b. Forty percent to the legacy fund to become part of the principal; and~~

20 ~~c. Twenty percent to the income tax relief fund under section 4 of this Act.~~

21 ~~4.~~ For each biennium subsequent to the biennium in which the legacy fund earnings are
22 transferred under subsection 2, the amount available for appropriation from the legacy
23 earnings fund is **six** percent of the five-year average value of the legacy fund
24 assets as reported by the state investment board. The average value of the legacy
25 fund assets must be calculated using the value of the assets at the end of each fiscal
26 year for the five-year period ending with the most recently completed even-numbered
27 fiscal year.

28 ~~5.4.~~ On July first of each odd-numbered year, from the amount available for appropriation
29 or transfer from the legacy earnings fund for the biennium, the state treasurer shall
30 transfer funding in the following order:

1 ~~a. The first one hundred million dollars to the legacy sinking and interest fund under~~
2 ~~section 1 of this Act;~~

3 ~~b. The next forty million dollars to the clean sustainable energy fund;~~

4 ~~c. The next forty million dollars to the infrastructure revolving loan fund under~~
5 ~~section 6-09-49, but not in an amount that would bring the balance of the~~
6 ~~infrastructure revolving loan fund to more than five hundred million dollars; and~~

7 ~~d. Any remaining funds for other purposes as designated by the legislative~~
8 ~~assembly;~~

9 ~~**SECTION 6.** A new section to chapter 57-38 of the North Dakota Century Code is created~~
10 ~~and enacted as follows:~~

11 ~~**Income tax relief fund.**~~

12 ~~There is created in the state treasury the income tax relief fund. The fund consists of all~~
13 ~~moneys deposited in the fund under section 3 of this Act. Moneys in the fund may be spent~~
14 ~~pursuant to legislative appropriations for individual and corporate income tax relief.~~

15 a. Twenty percent, with a minimum of one hundred million dollars, to a sinking and
16 interest fund, of which:

17 (1) An amount equal to any bond payments appropriated by the most recently
18 adjourned special or regular session of the legislative assembly from the
19 legacy sinking and interest fund, with a minimum of one hundred million
20 dollars, must be transferred to the legacy sinking and interest fund under
21 section 2 of this Act; and

22 (2) Any remaining amounts under this subdivision are available for other
23 purposes designated by the legislative assembly;

24 b. Twenty-five percent to infrastructure funds, of which:

25 (1) Forty-five percent must be transferred to the highway tax distribution fund
26 for allocations under section 54-27-19;

27 (2) Five percent to the state park fund under section 55-08-07 for state park
28 construction and improvement projects and other state park initiatives
29 designated by the legislative assembly; and

30 (3) The remaining amount to the legacy infrastructure fund under section 7 of
31 this Act;

- 1 c. Twenty-five percent to research and economic development funds, of which:
2 (1) Thirty percent must be transferred to the clean sustainable energy fund;
3 (2) Thirty percent must be transferred to the economic diversification research
4 fund under section 1 of this Act;
5 (3) Thirty percent must be transferred to the innovation loan fund to support
6 technology advancement under section 6-09.18-05; and
7 (4) The remaining amount must be transferred to the innovative research and
8 economic diversification fund;
9 d. Ten percent to the legacy project fund under section 8 of this Act;
10 e. Eight percent to the workforce development and enrichment fund under section 3
11 of this Act; and
12 f. The remaining amount for other purposes designated by the legislative assembly.

13 **SECTION 7.** A new section to chapter 21-10 of the North Dakota Century Code is created
14 and enacted as follows:

15 **Legacy infrastructure fund.**

- 16 1. There is created in the state treasury the legacy infrastructure fund. The fund consists
17 of all moneys deposited in the fund under section 6 of this Act. Moneys in the fund
18 may be spent pursuant to legislative appropriations to support one-time infrastructure
19 projects, including road and bridge projects, airport projects, and water projects.
20 2. If a political subdivision receives funding from the legacy project fund, the political
21 subdivision shall provide a report to the state treasurer by May thirtieth of each
22 even-numbered year on the use of the funding. The state treasurer shall determine the
23 format of the report. The state treasurer shall make the reports available to the public
24 on the state treasurer's website.

25 **SECTION 8.** A new section to chapter 21-10 of the North Dakota Century Code is created
26 and enacted as follows:

27 **Legacy project fund.**

- 28 1. There is created in the state treasury the legacy project fund. The fund consists of all
29 moneys deposited in the fund under section 6 of this Act. Moneys in the fund may be
30 spent pursuant to legislative appropriations for projects and infrastructure. Funding
31 designated for projects must be used to support statewide economic diversification

1 and growth. Funding designated for infrastructure must be used to support one-time
2 infrastructure with a statewide benefit.

3 2. If a political subdivision receives funding from the legacy project fund, the political
4 subdivision shall provide a report to the state treasurer by May thirtieth of each
5 even-numbered year on the use of the funding. The state treasurer shall determine the
6 format of the report. The state treasurer shall make the reports available to the public
7 on the state treasurer's website.

8 3. Up to one hundred thousand dollars per biennium may be appropriated to the office of
9 management and budget for administrative expenses related to the legacy project
10 advisory board.

11 **SECTION 9.** A new section to chapter 21-10 of the North Dakota Century Code is created
12 and enacted as follows:

13 **Legacy project advisory board - Report to legislative assembly.**

14 1. The legacy project advisory board consists of:

15 a. The governor or the the governor's designee, to serve as chairman;

16 b. The majority and minority leaders of the house of representatives and senate, or
17 their legislative designees;

18 c. The chairmen of the appropriations committees of the house of representatives
19 and the senate, or their legislative designees;

20 d. The chairmen of the finance and taxation standing committees of the house of
21 representatives and the senate, or their legislative designees;

22 e. One member appointed by the North Dakota petroleum council;

23 f. One member appointed by the greater North Dakota chamber of commerce;

24 g. One member appointed by the agriculture commissioner; and

25 h. Three members appointed by the governor.

26 2. The advisory board shall meet at least once per biennium. The office of management
27 and budget shall provide administrative services to the advisory board.

28 3. The advisory board shall submit a report to the legislative assembly regarding
29 recommendations for projects and infrastructure under the legacy project fund.

30 4. The advisory board may not include a recommendation in the report to the legislative
31 assembly unless the recommendation fulfills the purposes of the legacy project fund

1 under section 8 of this Act and is approved by a majority of the members of the
2 advisory board.

3 **SECTION 10.** A new section to chapter 54-60 of the North Dakota Century Code is created
4 and enacted as follows:

5 **Innovative research and economic diversification fund.**

6 There is created in the state treasury the innovative research and economic diversification
7 fund. The fund consists of all moneys deposited in the fund under section 6 of this Act. Moneys
8 in the fund may be spent pursuant to legislative appropriations with seventy percent designated
9 for the lignite research council, the oil and gas research council, and other research councils
10 and thirty percent designated for tourism initiatives.

11 **SECTION 11. LEGISLATIVE INTENT.** It is the intent of the sixty-seventh legislative
12 assembly that the sixty-eighth legislative assembly consider additional allocations from the
13 legacy earnings fund, including allocations to ~~the highway tax distribution fund,~~ value-added
14 agricultural programs, ~~the innovation loan fund to support technology advancement,~~ state
15 building maintenance and improvements, and for other one-time initiatives and projects,
16 including initiatives and projects to diversify the state's economy, and to improve the efficiency
17 and effectiveness of state government, ~~and to reduce ongoing general fund appropriations of~~
18 ~~state agencies.~~

19 **SECTION 12. EFFECTIVE DATE.** This Act becomes effective on August 1, 2021.